

VZCZCXRO2064  
PP RUEHFK RUEHKSO RUEHNAG RUEHNH  
DE RUEHKO #3598/01 2180852  
ZNR UUUUU ZZH  
P 060852Z AUG 07  
FM AMEMBASSY TOKYO  
TO RUEHC/SECSTATE WASHDC PRIORITY 6190  
INFO RUEKJCS/SECDEF WASHDC PRIORITY  
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY  
RUEAWJA/USDOJ WASHDC PRIORITY  
RULSDMK/USDOT WASHDC PRIORITY  
RUCPDOG/USDOC WASHDC PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY  
RUEKJCS/JOINT STAFF WASHDC//J5//  
RHHMUNA/HQ USPACOM HONOLULU HI  
RHHMHBA/COMPACFLT PEARL HARBOR HI  
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//  
RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//  
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA  
RUAYJAA/CTF 72  
RUEHNH/AMCONSUL NAHA 4842  
RUEHFK/AMCONSUL FUKUOKA 2415  
RUEHOK/AMCONSUL OSAKA KOBE 6015  
RUEHNAG/AMCONSUL NAGOYA 1454  
RUEHKSO/AMCONSUL SAPPORO 3185  
RUEHBJ/AMEMBASSY BEIJING 8221  
RUEHUL/AMEMBASSY SEOUL 4285  
RUCNDT/USMISSION USUN NEW YORK 5296

UNCLAS SECTION 01 OF 09 TOKYO 003598

SIPDIS

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;  
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;  
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;  
SECDEF FOR JCS-J-5/JAPAN,  
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA  
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;  
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 08/06/07

INDEX:

(1) Poll on Abe cabinet, political parties

(2) Blue-ribbon panel's report on right to collective self-defense to be put on back burner in wake of LDP's crushing defeat in Upper House election; Cautious view exists against legislation for allowing the use of the right to collective self-defense

(3) Government concerned about effect of LDP's defeat in election on Abe diplomacy; China, North Korea already taking tough stance

(4) Reversed positions of ruling and opposition parties as a result of Upper House election: LDP's stinging defeat may be the "beginning of the end"?

(5) Primary balance: Impossible to move it into the black by FY2011, according to Cabinet Office estimate, as increase in tax revenues cannot be hoped for

(6) Foreign Ministry to set up ODA regular consultative council, aiming to improve efficiency of aid

(7) Government bullish to compile austere budget: Discussions on general-account budget requests to start today; Aftereffect of Upper House election felt by ruling parties; Calls for revision of reform agenda

ARTICLES:

(1) Poll on Abe cabinet, political parties

Questions & Answers

(T = total; P = previous; M = male; F = female)

Q: Do you support the Abe cabinet?

	T	P	M	F
Yes	22	(31)	20	24
No	65	(53)	68	62
Not interested	12	(14)	12	13

Q: (Only for those who answered "yes" to the above question) Why?

	T	P	M	F
Because the prime minister is from the Liberal Democratic Party	21	(25)	25	18
Because something can be expected of the prime minister's leadership	13	(12)	8	17
Because there's a young, fresh image about the prime minister	32	(33)	34	31
Because something can be expected of the prime minister's policy measures	30	(25)	30	30

Q: (Only for those who answered "no" to the above question) Why?

	T	P	M	F
Because the prime minister is from the Liberal Democratic Party	7	(7)	8	6

TOKYO 00003598 002 OF 009

Because nothing can be expected of the prime minister's leadership	57	(46)	56	59
Because the prime minister is inexperienced, weak	16	(18)	14	17
Because I'm opposed to the prime minister's policies	18	(27)	19	17

Q: Which political party do you support?

	T	P	M	F
Liberal Democratic Party (LDP)	17	(22)	18	16
Democratic Party of Japan (DPJ or Minshuto)	33	(24)	35	31
New Komeito (NK)	6	(6)	4	7
Japanese Communist Party (JCP)	4	(4)	4	3
Social Democratic Party (SDP or Shaminto)	2	(3)	1	2
People's New Party (PNP or Kokumin Shinto)	1	(1)	1	0
New Party Nippon (NPN or Shinto Nippon)	1	(1)	1	1
Other political parties	1	(3)	1	2
None	35	(34)	33	37

Q: What do you think about the outcome of the recent election for the House of Councillors?

	T	P	M	F
Very satisfied	12		15	10
Satisfied	56		59	54
Dissatisfied	22		19	25
Very dissatisfied	5		5	6

Q: The LDP was swamped in the House of Councillors election with only 37 seats. What do you think is the reason for the LDP's crushing defeat?

	T	P	M	F
Pension problem	26		22	29

Social divide	10	13	6
Politics and money	29	27	31
Prime Minister Abe's competence	15	18	12
Cabinet ministers' gaffes	20	19	20

Q: The DPJ won an overwhelming victory in the House of Councillors election, garnering 60 seats. What do you think is the reason for the DPJ's victory?

	T	P	M	F
The public wanted to see the DPJ take office	10	10	10	
The DPJ was good at campaigning	9	8	9	
The DPJ gathered votes critical of the LDP	79	80	78	

Q: After the House of Councillors election, Prime Minister Abe clarified that he will stay on. Do you think he should resign, or do you otherwise think there is no need for him to resign?

TOKYO 00003598 003 OF 009

	T	P	M	F
Resign	56	62	52	
No need to resign	41	37	44	

Q: Having seen the outcome of the House of Councillors election, there is an opinion saying Prime Minister Abe should dissolve the House of Representatives for a general election at an early date. What do you think about this opinion?

	T	P	M	F
Dissolve the lower house	58	62	56	
No need to do so	39	37	41	

Q: Prime Minister Abe has now replaced Agriculture Minister Norihiko Akagi over his alleged murky political funds. What do you think about Prime Minister Abe's decision?

	T	P	M	F
Support	8	8	8	
It was too late to do so	87	88	86	
There's no need to do so	3	3	3	

(Note) Figures shown in percentage, rounded off. "0" indicates that the figure was below 0.5 percent. "No answer" omitted. Figures in parentheses denote the results of the last survey conducted July 25-26.

Polling methodology: The survey was conducted Aug. 4-5 over the telephone with the aim of calling a total of 1,000 voters across the nation on a computer-aided random digit sampling (RDS) basis. Answers were obtained from 1,165 persons.

(2) Blue-ribbon panel's report on right to collective self-defense to be put on back burner in wake of LDP's crushing defeat in Upper House election; Cautious view exists against legislation for allowing the use of the right to collective self-defense

MAINICHI (Top play) (Full)

Yoso Furumoto

The "Council to Reconstruct the Legal Base for National Security" (chaired by former Ambassador to the United States Shunji Yanai), an advisory panel to Prime Minister Shinzo Abe, is to resume on Aug. 10 discussions, which have been suspended owing to the Upper House election. The council is expected to propose reviewing the current interpretation of Article 9 of the Constitution so as to allow Japan to exercise the right to collective self-defense in a report to be out this fall. But with the crushing defeat in the recent Upper House election, the Abe administration is rapidly losing its cohesiveness and has come under pressure to delay legislative action on the right to collective self-defense by shelving the report. Abe

is being forced to switch away from his policy line of "getting rid of the postwar regime."

A senior lawmaker from the New Komeito said: "The council's report will be put on hold. For us to allow the exercise of the right to collective defense would be the same as asking the Abe administration to commit suicide." The party from the beginning has been strongly opposed to allowing the use of the right to collective self-defense.

TOKYO 00003598 004 OF 009

The council has had three rounds of discussions between May 18 and the Upper House election. Abe has asked the council to study four specific cases regarding national security. Of the four, the council has almost finished discussions on two cases aimed at strengthening the Japan-US alliance: escort US vessels cruising on high seas; and intercept ballistic missiles targeting the US. The council has agreed that it is necessary to allow Japan to exercise the right to collective self-defense. In resumed discussions, the council will discuss the remaining two specific cases regarding the expansion of the Self-Defense Forces' (SDF) participation in international peacekeeping operations: whether to rush to the spot of emergency and escort other countries' vessels; and whether to allow the SDF to provide logistic support in battle zones. The council is likely to endorse also these two cases, with one council member asserting: "The contents of the report will not change regardless of the outcome of the Upper House election because discussions are continuing in line with a foregone conclusion."

A senior Cabinet Secretariat official said that in order for Japan to use the right of collective self-defense, "the prime minister's declaration for the use of that right is not sufficient; legal steps such as amending the SDF Law are required." The SDF Law does not provide for any activities for the SDF to engage in for the sake of Japan's ally. So, it is necessary to revise that law so as to add such items as "mobilization for collective self-defense." One idea under study is to establish a collective self-defense law that would require Diet approval in order to thoroughly implement civilian control.

The New Komeito, however, has stiffened its attitude. A senior member argued: "Any hawkish bills are out of the question. Should such bills emerge, we would put them into the shredder." Given this, it is hopeless to submit relevant bills to the Diet for the time being.

Even in the LDP, it has become tough-going for the prime minister to unify views, given that even former Defense Agency Director-General Shigeru Ishiba, who had until recently led debates favoring the exercise of the right to collective self-defense, has begun openly calling on the prime minister to step down.

(3) Government concerned about effect of LDP's defeat in election on Abe diplomacy; China, North Korea already taking tough stance

NIHON KEIZAI (Page 2) (Full)  
August 5, 2007/08/06

The Japanese government has been worried about what impact the Liberal Democratic Party's crushing defeat in the July House of Councillors election will have on Prime Minister Abe's diplomacy. In a cabinet ministerial meeting of the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF) held in Manila just after the Upper House election, North Korea sharply criticized Japan. China has not eased its tough stance over the issue of gas-field development in the East China Sea. The Foreign Ministry is increasingly concerned that if the Abe administration's footing becomes weaker, Japan might lose its negotiating power and capability to send messages.

In the ARF ministerial on Aug. 2, North Korean Foreign Minister Pak Ui Chun asserted: "If Japan brings forward Pyongyang's abductions of

TOKYO 00003598 005 OF 009

Japanese nationals, North Korea will request that the wartime comfort women issue be brought up." In reaction, Foreign Minister Aso emphasized: "Abductions are an important issue not only for Japan but also for the international community." He asked the chair country to incorporate the abduction issue in the chairman's statement, but the statement used this common expression: "We stressed the importance of humanitarian issues."

Initially, there was a strong possibility that the chairman's statement would specify the abduction issue. But in an unofficial meeting held prior to the ministerial, as well, no other countries but Japan had referred to the abduction issue.

An accompanying source grumbled after the meeting: "Other countries might have taken mean advantage of the ruling coalition's failure in maintaining its majority in the Upper House election."

In a Japan-China foreign ministerial meeting held in Manila on the previous day, Aso "traded verbal jabs," according to the accompanying source, with his Chinese counterpart Yang Jiechi over the issue of oil field development in the East China Sea.

The governments of Japan and China, when Premier Wen Jiabao came to Japan in April, agreed to work out by this fall a specific joint-development plan for oil fields in the East China Sea. The Japanese side insisted that China should present a specific plan to move negotiations forward, but China has made no response. When Aso applied pressure by indicating the possibility of developing the gas fields independently, Yang only replied: "It is important to create a favorable environment for the negotiations."

Relations between Japan and China have improved since the Abe administration was inaugurated. Given this, the Chinese government has mapped out a policy toward Japan on the assumption that the Abe administration will stay in power for a long period of time. Some Foreign Ministry officials take the view that China's tough stance might reflect its speculation that since the current Japanese government is losing political ground, it might not be able to sustain a tough approach.

The government relies strongly on the United States, but the issue of Japan being able to extend the Antiterrorism Special Measures Law has come up. Prime Minister Abe will soon attend the summit of the Asia-Pacific Economic Cooperation (APEC) forum and visit China. But the unstable political situation may have a negative effect on Japan's bargaining capability in summit diplomacy, as well.

(4) Reversed positions of ruling and opposition parties as a result of Upper House election: LDP's stinging defeat may be the "beginning of the end"?

TOKYO SHIMBUN (Page 1) (Abridged)  
August 2, 2007

Takaharu Watanabe

"We saw a number of able politicians defeated in the election. As the top leader of the party, I am really sorry for that," Prime Minister Shinzo Abe (concurrently president of the governing Liberal Democratic Party (LDP)) told an LDP board meeting on Aug. 1 and apologized for the ruling bloc's big setback in the recent Upper

TOKYO 00003598 006 OF 009

House election.

Many in the LDP are arguing that the prime minister and his aides are responsible for this crushing defeat. They insist that because the government was too late to deal with a series of money-and-politics scandals involving cabinet members and the pension problem, the voters "punished" the prime minister.

The LDP won only 37 seats from both the proportional representation segment and electoral districts, and particularly in single-seat constituencies, where the party had a showdown with the major

opposition Democratic Party of Japan (DPJ or Minshuto), the LDP was overwhelmingly beaten by the DPJ, 23 seats to 6. Is the LDP's defeat simply attributable to distrust of Abe? Fundamental reasons seem to underlie the LDP's defeat.

The LDP was founded in 1955, and it has been in power since then except for the period of 1993 to 1994. But it is undeniable that the LDP lacks dynamism as an organization partly because of the increased number of second-generation Diet members.

Under the so-called 1955 political setup, the Japan Socialist Party (JSP, predecessor of the current Social Democratic Party) played a part, but it fragmented, and analysts said the JSP completed its historical mission. That was a long time ago. But the LDP even now remains in power. One veteran LDP lawmaker explained: "The LDP has survived because Junichiro Koizumi took office as president."

In the days of his serving as prime minister, Koizumi discarded the previous supporting organizations for the LDP, such as special post offices and the construction industry, through structural reform, and widened support for him among unaffiliated voters in cities and was able to stay in power for more than five years.

But it was impossible for Abe to pick up after Koizumi, who had a strong personality and unique political techniques.

The LDP would be certain to be removed from power if it failed to rebuild its posture upon fully analyzing the causes of its defeat in the Upper House election this time before the next Lower House election, which is likely to be a big showdown with the DPJ over the reins of government.

On Aug. 1, the LDP leadership established a committee to examine the results of the Upper House election in order to examine the causes of its defeat.

But in the LDP, heavyweight lawmakers declared their support for Abe to stay on one after the other, giving the impression that the party members have not taken the defeat seriously.

Behind this is presumably their calculation that with no apparent successor to Abe at present, it would be wise not to offend Abe by opposing his decision to stay on if they want to secure either a cabinet portfolio or a party executive post.

Even mid-level and junior lawmakers, who have until recently led the move for revitalizing the party, are unlikely to criticize the party executives.

Will the defeat this time become an opportunity for the LDP to make a "revolutionary, fresh start," as former party Vice President Taku

TOKYO 00003598 007 OF 009

Yamasaki put it? Or will it become the beginning of the end of the LDP-led administration? The answer will come out in the next Lower House election.

(5) Primary balance: Impossible to move it into the black by FY2011, according to Cabinet Office estimate, as increase in tax revenues cannot be hoped for

YOMIURI (Page 2) (Full)  
August 4, 2007

The government aims at moving the primary balance into the black by fiscal 2011. However, the Cabinet Office's estimate on Aug. 3 found that it would be impossible for the government to achieve that goal. Since the government and the ruling parties have considered achieving that goal as essential for fiscal reconstruction, the estimate will likely spread repercussions to future budget compilation and discussion on drastic reform of the tax system.

The primary balance is an index indicating whether it is possible to finance policy expenses without relying on borrowing. In working out the estimate, the Cabinet Office has modified the government's reference estimate for the mid-term economic guidelines, by

incorporating the latest economic trends.

The result will be submitted to a meeting of the Council on Economic and Fiscal Policy on August 6 as basic data to be used for the compilation of the fiscal 2008 budget.

The estimate made as of January was that under an ideal scenario of promoting tough spending cuts with a nominal grow rate of 4 percent, the primary balance would mark a 1.6 trillion yen surplus.

However, the estimate this time is that the income and expenditure balance would come out even, narrowly enabling the nation to climb out of the red. The poor showing is due to the fact that the nation's effort to emerge from deflation is slow. As a result, the nominal growth rate has taken a downward turn, making an anticipated revenue increase impossible. If a growth rate and the level of spending cuts fall short of the level envisioned in the ideal scenario, deficits in the primary balance would further increase.

In the meantime, the economic growth rate for fiscal 2008 projected by the Cabinet Office has also been revealed. The Cabinet Office estimated 2.2 percent real growth and about 2.6 percent nominal growth. It also estimated the rate of increase in consumer prices to be about 0.5 points, the level that will enable the nation to completely break with deflation within fiscal 2008.

(6) Foreign Ministry to set up ODA regular consultative council, aiming to improve efficiency of aid

YOMIURI (Page 2) (Full)  
Evening, August 4, 2007/08/06

The Foreign Ministry has decided to set up a body tasked with discussing future options for the nation's official development assistance (ODA) policy on a regular basis, in cooperation with Nippon Keidanren (the Japan Business Federation), the Japan International Cooperation Agency (JICA), and the Japan Bank for International Cooperation (JBIC). The ministry intends to hold its first meeting by the end of this year, with the aim of pursuing the

TOKYO 00003598 008 OF 009

efficient management of the ODA program.

The panel will discuss the specific measures included in a package of proposals on ODA policy released by Nippon Keidanren this May, including: (1) shortening the period between planning and implementation; (2) expanding projects eligible for the Special Terms for Economic Partnership (STEP) designed to make use of advanced technologies of Japanese firms; and (3) increasing the number of projects. These measures are aimed to increase opportunities for Japanese firms to participate in ODA projects and make ODA more effective through the best use of private-sector know-how.

The Foreign Ministry, JICA, and JBIC are now involved in projects related to yen loans, grant aid, and technology transfer, but starting in October of next year, the government plans to place these services uniformly under the control of JICA. In the new body, members will discuss measures to strengthen the nation's ODA strategy, focusing on this unification plan.

(7) Government bullish to compile austere budget: Discussions on general-account budget requests to start today; Aftereffect of Upper House election felt by ruling parties; Calls for revision of reform agenda

NIKKEI (Page 2) (Full)  
August 6, 2007

The government and the ruling parties will start discussing guidelines for general-account budget requests today. The government is ready to stick to an austere budget, continuing its effort to recapitalize the nation's fiscal base, including a 3 percent cut in public works-related expenses. However, an atmosphere of seeking a revision of the existing structural reform line is growing in the LDP, following the defeat in the recent Upper House election. The

situation appears that the aftereffect of the Upper House election could cast a pall over the management of the economy.

Kantei remains bullish

The government held meetings of the Council on Economic and Fiscal Policy for three days starting on Aug. 6, though one scheduled for Aug. 1 was put off. The arrangement it envisages is drafting ceilings of budget estimates for the next fiscal year's budget in one burst. The plan is to obtain cabinet approval on Aug. 10 and close estimated budget requests from all ministries at the end of the month.

The Prime Minister's Official Residence (Kantei) is bullish with one official noting, "We must not stop the reform drive, letting it be affected by the result of the election." The Kantei has been playing up the need to carry out structural reforms after the ruling parties' defeat in the Upper House election as well, maintaining the predetermined process of squeezing 220 billion yen by cutting public works and containing a natural increase in social security spending. It is concerned that slackening the drive to tighten spending at this juncture could affect the progress of making the fiscal situation sound, such as through a drastic reform of the tax system, which is to start in the fall.

The Kantei is also showing a stance of counterattacking the Democratic Party of Japan (DPJ or Minshuto), which during the Upper

TOKYO 00003598 009 OF 009

House election campaign criticized the government as having abandoned the local regions. Those close to the prime minister are criticizing the DPJ's policy with one noting that a political party that compiles a pork-barrel budget is not responsible enough to run the country. They are openly counterattacking the DPJ. The ruling camp has a strong sense of crisis that if it aims exclusively at a structural reform policy, such as a substantive cut in public works, the parties could be defeated in the next Lower House election, as well. The LDP will start discussing budget request caps, holding a plenary meeting of the Policy Research Council on Aug. 7. The situation is, however, a gap with the government could surface.

One senior LDP official noted: "The Finance Ministry has taken advantage of the Koizumi reform line. If the DPJ wins the reins of government in the next Lower House election, the Finance Ministry will unavoidably be affected." There is a deep-seated resistance in the LDP toward a 3 percent cut in public works, which the Finance Ministry is insisting on. Disgruntlement with the Finance Ministry for allegedly banking on the taking over of government reins by the DPJ is smoldering in the LDP.

The LDP won six seats and lost 23 seats in the single-seat constituencies, which used to be the LDP's impregnable stronghold. How to set budgetary caps is drawing attention in the sense how the LDP will make the most of lessons it learned from the defeat. If public finance is managed led by the Finance Ministry, criticism is bound to arise from within the LDP. There is a strong possibility of a backlash against Prime Minister Shinzo Abe for remaining in office becoming even stronger.

Voices of regional districts

On the other hand, if urban voters have judged that the ruling parties have completely abandoned the structural reform policy, they might turn their backs on them.

Whether to continue the spending reform or shifting from it is a difficult decision to make, as it could dictate the political equation in the future. Abe told the chief cabinet secretary and deputy chief cabinet secretaries over dinner on the evening of Aug. 2, "I want to listen to local voices."

SCHIEFFER